

CITY OF IOWA FALLS, IOWA

INDEPENDENT AUDITOR'S REPORTS

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2004

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City of Iowa Falls, Iowa

List of Principal Officials

June 30, 2004

<u>Name</u>	<u>Title</u> (Before January 2004)	<u>Term Expires</u>
Rocky Lavalle	Mayor	Jan 2004
Frankie Tjarks	Mayor Pro tem	Jan 2004
Jody Anderson	Council Member	Jan 2004
Diane Meier	Council Member	Jan 2004
Judy Crawford	Council Member	Jan 2006
Mark Messa	Council Member	Jan 2006
Mike Hays	City Manager	Resigned
Brent Bury (Appointed Mar 2003)	City Manager	Jul 2003
Lisa Hamilton	City Clerk/Treasurer	Resigned
Brent Hinson	City Clerk/Finance Director	Jul 2004
Clark McNeal	Attorney	Jul 2003
Doug Strike	Police Chief	Jul 2003
Marlyn Humphrey	Fire Chief	Indefinite
Deanne Henry	Library Director	Indefinite
Brian Lorenzen	Park Superintendent	Indefinite
Merlin Clock	Street/Sanitation Superintendent	Indefinite
Elvin Van Kooten	Building and Zoning	Indefinite
Robert Wright	Water/Wastewater Superintendent	Indefinite
Jolene Liekweg	Deputy City Clerk	Indefinite
Norm Kastendick	Hospital Board of Trustees	Jan 2004
Francis Pisney	Hospital Board of Trustees	Jan 2004
Diana Ruhl	Hospital Board of Trustees, Secretary	Jan 2004
Kraig Kasischke	Hospital Board of Trustees	Jan 2006
John Swartz	Hospital Board of Trustees, Chairman	Jan 2006
John O'Brien	Hospital Administrator	Indefinite
Betty Riley	Hospital Accountant	Indefinite

City of Iowa Falls, Iowa

List of Principal Officials

June 30, 2004

<u>Name</u>	<u>Title</u> (After January 2004)	<u>Term Expires</u>
Rocky Lavallo	Mayor	Jan 2006
Frankie Tjarks	Mayor Pro tem	Jan 2008
Jody Anderson	Council Member	Jan 2008
Diane Meier	Council Member	Jan 2008
Judy Crawford	Council Member	Jan 2006
Mark Messa	Council Member	Jan 2006
Brent Bury	City Manager	Jul 2004
Brent Hinson	City Clerk/Finance Director	Jul 2004
Clark McNeal	Attorney	Jul 2004
Doug Strife	Police Chief	Jul 2004
Rick Gustin	Fire Chief	Indefinite
Deanne Henry	Library Director	Indefinite
Brian Lorenzen	Park Superintendent	Indefinite
Merlin Clock	Street/Sanitation Superintendent	Indefinite
Elvin Van Kooten	Building and Zoning	Indefinite
Robert Wright	Water/Wastewater Superintendent	Indefinite
Jolene Liekweg	Deputy City Clerk	Indefinite
Norm Kastendick	Hospital Board of Trustees	Jan 2008
Francis Pisney	Hospital Board of Trustees	Jan 2008
Diana Ruhl	Hospital Board of Trustees, Secretary	Jan 2008
Kraig Kasischke	Hospital Board of Trustees	Jan 2006
John Swartz	Hospital Board of Trustees, Chairman	Jan 2006
John O'Brien	Hospital Administrator	Indefinite
Betty Riley	Hospital Accountant	Indefinite

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Iowa Falls, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Iowa Falls' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hospital Fund, an Enterprise Fund. Those financial statements were audited by other independent auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hospital Fund, is based solely upon the report of the other independent auditors.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Iowa Falls at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 8, 2004 on our consideration of the City of Iowa Falls' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 61 through 64 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Iowa Falls' basic financial statements. Other auditors previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which is presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CORNWELL & CO., P.C
CERTIFIED PUBLIC ACCOUNTANTS

December 8, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Iowa Falls' Annual Financial Report presents the Management's Discussion and Analysis of the City's financial activities during the fiscal year ended June 30, 2004. The analysis focuses on the City's financial performance as a whole. Please read it in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Iowa Falls exceeded liabilities at June 30, 2004 by \$27,123,318. Of this amount, \$5,602,386 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$708,932 during the year. Of this amount the assets of our governmental activities increased \$810,535 and the assets of our business-type activities decreased by \$101,603.

USING THIS REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

Government-wide Financial Statements consists of a statement of net assets and a statement of activities. These provide information about the activities of the City as a whole and represent an overall view of the City's finances.

Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statements report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information, other than MD&A, provides information about the required budgetary comparison information.

Other Supplementary Information provides detailed information about the nonmajor special revenue funds.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The Government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the City's assets and liabilities. All of the current year's

revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors such as changes in the City's property tax base and the condition of the City's infrastructure are also important in making this decision.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into three kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, such as public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- **Business-Type Activities** - This activity include the waterworks the sanitary sewer system and the City's sanitation department. These activities are financed primarily by user charges.
- **Component Units** - These are operations that are legally separate from the City but for which the City is financially accountable. The City's discretely presented component unit is the Iowa Falls Municipal Airport Authority.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The fund financial statements provide detailed information about individual, significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to control and manage money for particular purposes (such as construction or street projects) and to show that it is properly using certain revenues (such as tax increment financing revenues). The City has two kinds of funds:

Governmental Funds

The Governmental Funds account for most of the City's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include the General Fund; Special Revenue Funds such as Tax Increment Financing Revenues and Economic Development Loans; the Debt Service Fund; and the Capital Projects Fund. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

Proprietary Funds

Proprietary Funds account for the City's enterprise funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The enterprise funds include the Water, Wastewater and Hospital funds, all considered to be major funds of the City. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as useful indicator of financial position. The following analysis shows the City's total net assets at June 30, 2004.

	Governmental Activities	Business Type Activities	Total
Current and other assets	\$ 6,517,500	8,664,421	15,181,921
Capital assets	12,407,647	13,486,140	25,893,787
Total assets	18,925,147	22,150,561	41,075,708
Long-term debt liabilities	4,521,078	5,236,507	9,757,585
Other liabilities	2,745,916	1,448,889	4,194,805
Total liabilities	7,266,994	6,685,396	13,952,390
Net assets:			
Invested in capital assets, net of related debt	8,072,647	8,214,282	16,286,929
Restricted	3,498,874	1,735,129	5,234,003
Unrestricted	86,632	5,515,754	5,602,386
Total net assets	\$ 11,658,153	15,465,165	27,123,318

Net assets of governmental activities increased from FY 2004 by approximately \$810,535. Net assets of the business-type activities decreased from FY 2004 by approximately \$101,603. The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Total unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements is approximately \$5.6 million.

The following analysis provides the changes in the net assets for the City's governmental and business-type activities.

	Governmental Activities	Business Type Activities	Total
Revenues:			
Program revenues:			
Charges for service	\$ 299,081	13,167,961	13,467,042
Operating grants, contributions and restricted interest	557,077	-	557,077
Capital grants, contributions and restricted interest	371,979	-	371,979
General revenues:			
Property tax for general purposes	1,378,469	-	1,378,469
Property tax for debt service	302,426	-	302,426
Tax increment financing revenues	891,547	-	891,547
Local option sales tax	410,360	-	410,360
Hotel/Motel Tax	30,906	-	30,906
Grants and contributions not restricted to specific purpose	-	-	-
Unrestricted investment earnings	79,354	95,198	174,552
Transfers	(25,120)	-	(25,120)
Loss on disposal of fixed assets	(41,420)	-	(41,420)
Miscellaneous	275,827	533,402	809,229
Total revenues	<u>4,530,486</u>	<u>13,796,561</u>	<u>18,327,047</u>
Program expenses:			
Public safety	1,130,929	-	1,130,929
Public works	685,025	-	685,025
Culture and recreation	792,096	-	792,096
Community and economic development	201,157	-	201,157
General government	328,475	-	328,475
Interest on long-term debt	184,078	-	184,078
Capital Projects	397,750	-	397,750
Water	-	679,744	679,744
Wastewater	-	734,599	734,599
Hospital	-	11,851,973	11,851,973
Sanitation	-	632,289	632,289
Total expenses	<u>3,719,510</u>	<u>13,898,605</u>	<u>17,618,115</u>
Increase in net assets	810,976	(102,044)	708,932
Net assets July 1	<u>10,847,177</u>	<u>15,567,209</u>	<u>26,414,386</u>
Net assets June 30	<u>\$ 11,658,153</u>	<u>15,465,165</u>	<u>27,123,318</u>

The City of Iowa Falls increased property tax rates by \$1.38 in FY04 and there was an increase of \$691,975 in taxable property valuation.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Iowa Falls completed its year, its governmental funds reported a total fund balance of \$3,554,981, which is greater than the \$2,962,945 total fund balance at June 30, 2003.

The General Fund, the operating fund for the City of Iowa Falls, ended FY04 with a \$684,447 balance compared to the prior year ending fund balance of \$715,937.

The Tax Increment Financing Revenues Fund accounts for proceeds from the tax authorized by ordinance in the urban renewal district which are used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended FY04 with a \$(693,041) deficit balance compared to the prior year ending deficit balance of \$(498,211). The deficit fund balance is a result of providing loans to other funds for urban renewal projects prior to collection of tax increment financing revenues.

The Economic Development Loans Fund, which accounts for economic development loans made to businesses operating in the City and to other City funds, ended FY04 with a \$1,459,304 balance compared to the prior year ending fund balance of \$1,203,477.

The Debt Service Fund ended FY04 with a \$74,741 balance compared to the prior year ending fund balance of \$71,773. Bond principal and interest payments increased by \$86,474 in FY03.

The Capital Projects Fund ended FY04 with a \$6,085 balance compared to the prior year ending balance of \$(317,506).

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

The Water Fund, which accounts for the operation and maintenance of the City's water system, ended FY04 with a \$2,534,439 net asset balance compared to the prior year ending net asset balance of \$2,719,184.

The Wastewater Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended FY04 with a \$3,872,372 net asset balance compared to the prior year ending net asset balance of \$3,912,891.

The Hospital Fund, which accounts for the operation and maintenance of the Ellsworth Municipal Hospital, ended FY04 with a \$8,745,556 net asset balance compared to the prior year ending net asset balance of \$8,607,628.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2004, the City amended the budget twice. The first amendment was done in December 2003 to cover unbudgeted expenditures. The second amendment was made in May 2004 to cover unbudgeted expenditures. These amendments were mainly required to cover unplanned expenditures and expenditures associated with projects that carried over from the prior fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals and other

infrastructure represents the value of the resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$12,407,647 (net of accumulated depreciation) at June 30, 2004. Capital assets for business-type activities totaled \$13,486,140 (net of accumulated depreciation) at June 30, 2004.

The major capital outlays for governmental activities during the year included, construction of Iowa Falls Maintenance Garage.

For business-type activities, major additions included electrical upgrades for the water plant and equipment for the hospital.

Construction in progress at June 30, 2004 for governmental activities primarily consists of the Iowa Falls Maintenance Garage building and street projects.

Long-Term Debt

At June 30, 2004 the City of Iowa Falls had \$4,521,078 in total long-term debt for the governmental activities. Total long-term debt in the business-type activities was \$5,572,194 at June 30, 2004. More detailed information about the City's long-term debt is provided below:

- The City had \$4,335,000.00 in total general obligation bonds/notes outstanding as of June 30, 2004.
- The City had \$4,901,837 in total revenue bonds/notes outstanding as of June 30, 2004, including \$2,378,100 in revenue notes payable by the Ellsworth Municipal Hospital.

During the year ended June 30, 2004, the City of Iowa Falls issued a total of \$960,000.00 in general obligation bonds. These bonds were issued to finance the City's 2004 street program and a portion of the costs for the Iowa Falls Maintenance Garage.

ECONOMIC FACTORS

During the FY05 and FY06 budgets, several economic factors will affect the process of developing the budget. The City of Iowa Falls will experience a significant drop in General Fund revenues and expenditures from FY04 to FY05. The major factor that will play a role in these changes is the decrease in general property tax valuation for the 2005 and 2006 fiscal years and beyond.

Over the next few fiscal years there are several other economic items that could impact the City of Iowa Falls. Any changes in the Road Use Tax formula could substantially reduce the amount the City of Iowa Falls collects, and further reductions in property valuation will reduce the City's overall tax taking and make providing essential public services extremely difficult.

The General Fund is projected to end FY05 with an approximately \$835,379, fund balance, which is a 22.13% increase from FY04.

The tax levy rates for FY04 are provided below:

General Levy	8.10
Aviation Levy	0.27
Debt Service Levy	1.95971
Trust and Agency Levy	5.27686
Tort Liability	1.03222

Total

16.63879

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact Administration at City of Iowa Falls, 315 Stevens Street, P.O. Box 698, Iowa Falls, Iowa 50126 or call (641) 648-2527.

Basic Financial Statements

City of Iowa Falls, Iowa
Statement of Net Assets
June 30, 2004

Exhibit A

	Primary Government			Component
	Governmental	Business-	Total	Unit
	<u>Activities</u>	<u>Type</u> <u>Activities</u>		<u>Airport</u> <u>Authority</u>
Assets				
Cash	\$ 3,924,758	3,049,922	6,974,680	-
Receivables:				
Property tax:				
Delinquent	30,625	-	30,625	478
Succeeding year	1,440,033	-	1,440,033	22,569
Tax increment financing:				
Delinquent	35,851	-	35,851	-
Succeeding year	1,110,000	-	1,110,000	-
Economic development loans	174,271	-	174,271	-
Customer accounts and unbilled usage (net of allowances for uncollectibles of \$320,000)	-	2,458,738	2,458,738	-
Accounts	-	56,236	56,236	-
Accrued interest	9,789	12,145	21,934	-
Due from other governments	112,674	-	112,674	-
Due from other funds	(430,091)	430,091	-	-
Inventories	-	364,730	364,730	-
Prepaid expenses	96,049	144,914	240,963	2,104
Restricted assets:				
Cash	-	1,743,631	1,743,631	-
Accrued interest on restricted assets	-	11,100	11,100	-
Investment in affiliated organizations	-	371,201	371,201	-
Capital assets (net of accumulated depreciation)	12,407,647	13,486,140	25,893,787	905,557
Bond issuance costs	13,541	21,713	35,254	-
Total assets	<u>18,925,147</u>	<u>22,150,561</u>	<u>41,075,708</u>	<u>930,708</u>
Liabilities				
Accounts payable	160,608	476,379	636,987	-
Accrued interest payable	14,004	-	14,004	-
Salaries and benefits payable	21,271	311,192	332,463	2,702
Third-party payor settlements	-	297,216	297,216	-
Deferred revenue:				
Succeeding year property tax	1,440,033	-	1,440,033	22,569
Succeeding year tax increment financing	1,110,000	-	1,110,000	-

(continued)

City of Iowa Falls, Iowa
Statement of Net Assets
June 30, 2004

Exhibit A

	Primary Government			Component <u>Unit</u>
	Governmental	Business-		
	<u>Activities</u>	<u>Type</u> <u>Activities</u>	<u>Total</u>	<u>Airport</u> <u>Authority</u>
Liabilities (continued)				
Liabilities payable from restricted assets:				
Customer deposits	-	19,602	19,602	-
Revenue bonds/notes payable	-	335,687	335,687	-
Accrued and matured interest payable	-	8,813	8,813	-
Long-term liabilities:				
Portion due or payable within one year:				
General obligation bonds/notes	585,000	-	585,000	-
Capital lease	-	113,258	113,258	-
Compensated absences	109,907	270,456	380,363	-
Portion due or payable after one year:				
General obligation bonds/notes	3,750,000	-	3,750,000	-
Revenue bonds/notes payable	-	4,566,413	4,566,413	-
Capital lease	-	256,500	256,500	-
Compensated absences	76,171	29,880	106,051	-
Total liabilities	<u>7,266,994</u>	<u>6,685,396</u>	<u>13,952,390</u>	<u>25,271</u>
Net Assets				
Invested in capital assets, net of related debt	8,072,647	8,214,282	16,286,929	905,557
Restricted for:				
Local option sales tax	1,200,484	-	1,200,484	-
Economic development loans	1,459,304	-	1,459,304	-
Carnegie library	719,579	-	719,579	-
Debt service	74,741	-	74,741	-
Revenue bond retirement	-	311,872	311,872	-
Wastewater replacement	-	101,234	101,234	-
Wastewater improvement	-	100,000	100,000	-
Capital improvements by donors	-	913,571	913,571	-
Bond indentures	-	308,452	308,452	-
Other purposes	44,766	-	44,766	-
Unrestricted	86,632	5,515,754	5,602,386	(120)
Total net assets	<u>\$ 11,658,153</u>	<u>15,465,165</u>	<u>27,123,318</u>	<u>905,437</u>

See notes to financial statements.

City of Iowa Falls, Iowa
Statement of Activities
Year ended June 30, 2004

Functions/Programs:	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Primary Government:				
Governmental activities:				
Public safety	\$ 1,130,929	91,363	66,525	-
Public works	685,025	8,367	400,716	-
Culture and recreation	792,096	137,009	28,988	-
Community and economic development	201,157	-	-	-
General government	328,475	11,787	60,848	-
Interest on long-term debt	184,078	-	-	-
Capital projects	397,750	50,555	-	371,979
Total governmental activities	<u>3,719,510</u>	<u>299,081</u>	<u>557,077</u>	<u>371,979</u>
Business type activities:				
Water	679,744	484,867	-	-
Wastewater	734,599	670,731	-	-
Hospital	11,851,973	11,399,544	-	-
Sanitation	632,289	612,819	-	-
Total business type activities	<u>13,898,605</u>	<u>13,167,961</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 17,618,115</u>	<u>13,467,042</u>	<u>557,077</u>	<u>371,979</u>
Component Unit:				
Airport Authority	<u>\$ 128,882</u>	<u>-</u>	<u>-</u>	<u>-</u>

General Revenues:

Property and other city tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Hotel/motel tax

Unrestricted investment earnings

Miscellaneous

Transfers

Loss on disposal of fixed assets

Total general revenues

Change in net assets

Net assets beginning of year

Net asset end of year

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Airport Authority
(973,041)	-	(973,041)	-
(275,942)	-	(275,942)	-
(626,099)	-	(626,099)	-
(201,157)	-	(201,157)	-
(255,840)	-	(255,840)	-
(184,078)	-	(184,078)	-
24,784	-	24,784	-
(2,491,373)	-	(2,491,373)	-
-	(194,877)	(194,877)	-
-	(63,868)	(63,868)	-
-	(452,429)	(452,429)	-
-	(19,470)	(19,470)	-
-	(730,644)	(730,644)	-
(2,491,373)	(730,644)	(3,222,017)	-
-	-	-	(128,882)
1,378,469	-	1,378,469	25,696
302,426	-	302,426	-
891,547	-	891,547	-
410,360	-	410,360	-
30,906	-	30,906	-
79,354	95,198	174,552	-
275,827	533,402	809,229	10,721
(25,120)	-	(25,120)	25,120
(41,420)	-	(41,420)	-
3,302,349	628,600	3,930,949	61,537
810,976	(102,044)	708,932	(67,345)
10,847,177	15,567,209	26,414,386	972,782
\$ 11,658,153	15,465,165	27,123,318	905,437

City of Iowa Falls, Iowa
Balance Sheet
Governmental Funds
June 30, 2004

Assets	General	Special Revenue		
		Tax Increment Financing Revenues	Economic Development Loans	Local Option Sales Tax
Cash	\$ 660,123	-	1,262,378	886,340
Receivables:				
Property tax:				
Delinquent	16,019	-	-	-
Succeeding year	765,271	-	-	-
Tax increment financing:				
Delinquent	-	35,851	-	-
Succeeding year	-	1,110,000	-	-
Economic development loans	-	-	174,271	-
Accrued interest	1,797	-	3,178	2,231
Due from other governments	1,151	-	-	27,506
Interfund receivable	-	-	242,052	284,407
Prepaid expenditures	96,049	-	-	-
Total assets	\$ 1,540,410	1,145,851	1,681,879	1,200,484
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 61,328	-	11	-
Salaries and benefits payable	21,271	-	-	-
Deferred revenue:				
Succeeding year property tax	765,271	-	-	-
Succeeding year tax increment financing	-	1,110,000	-	-
Other	8,093	26,920	175,020	-
Interfund payable	-	701,972	47,544	-
Total liabilities	855,963	1,838,892	222,575	-

City of Iowa Falls, Iowa
Balance Sheet
Governmental Funds
June 30, 2004

		Special Revenue		
		Tax Increment Financing Revenues	Economic Development Loans	Local Option Sales Tax
<u>General</u>				
Liabilities and Fund Balances (continued)				
Fund balances:				
Reserved for:				
Prepaid expenditures	96,049	-	-	-
Debt service	-	-	-	-
Advances to other funds	-	-	194,508	284,407
Unreserved:				
Designated for library gifts and memorials	13,045	-	-	-
Designated for park gifts and memorials	6,470	-	-	-
Designated for future equipment purchases/capital improvements	112,751	-	-	-
Undesignated:				
Reported in:				
General fund	456,132	-	-	-
Special revenue funds	-	(693,041)	1,264,796	916,077
Capital projects fund	-	-	-	-
Total fund balances	<u>684,447</u>	<u>(693,041)</u>	<u>1,459,304</u>	<u>1,200,484</u>
Total liabilities and fund balances	<u>\$ 1,540,410</u>	<u>1,145,851</u>	<u>1,681,879</u>	<u>1,200,484</u>

See notes to financial statements.

Exhibit C

<u>Payroll Tax Levy</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
53,884	71,720	740,000	250,313	3,924,758
9,571	5,035	-	-	30,625
441,087	233,675	-	-	1,440,033
-	-	-	-	35,851
-	-	-	-	1,110,000
-	-	-	-	174,271
-	180	1,808	595	9,789
-	-	63,129	20,888	112,674
-	-	-	493,422	1,019,881
-	-	-	-	96,049
<u>504,542</u>	<u>310,610</u>	<u>804,937</u>	<u>765,218</u>	<u>7,953,931</u>
-	-	98,396	873	160,608
-	-	-	-	21,271
441,087	233,675	-	-	1,440,033
-	-	-	-	1,110,000
4,839	2,194	-	-	217,066
-	-	700,456	-	1,449,972
<u>445,926</u>	<u>235,869</u>	<u>798,852</u>	<u>873</u>	<u>4,398,950</u>

(continued)

Exhibit C

<u>Payroll Tax Levy</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	-	-	-	96,049
-	74,741	-	-	74,741
-	-	-	493,422	972,337
-	-	-	-	13,045
-	-	-	-	6,470
-	-	-	-	112,751
-	-	-	-	456,132
58,616	-	-	270,923	1,817,371
-	-	6,085	-	6,085
<u>58,616</u>	<u>74,741</u>	<u>6,085</u>	<u>764,345</u>	<u>3,554,981</u>
<u>504,542</u>	<u>310,610</u>	<u>804,937</u>	<u>765,218</u>	<u>7,953,931</u>

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Assets

June 30, 2004

Total governmental fund balances (page 19) \$ 3,554,981

*Amounts reported for governmental activities in the
Statement of Net assets are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$18,220,004 and the accumulated depreciation is \$5,812,357. 12,407,647

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the funds. 217,066

Long-term liabilities, including bonds payable, accrued interest payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. (4,535,082)

Other long-term assets are not available to pay current period debt and, therefore, are not included in the funds 13,541

Net assets of governmental activities (page 13) \$ 11,658,153

See notes to financial statements.

City of Iowa Falls, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)
Governmental Funds
Year ended June 30, 2004

		<u>Special Revenue</u>	
		<u>Tax</u>	
	<u>General</u>	<u>Increment Financing Revenues</u>	<u>Economic Development Loans</u>
Revenues:			
Property tax	\$ 791,327	-	-
Tax increment financing	-	885,271	-
Other city tax	67,729	-	-
Licenses and permits	60,721	-	-
Use of money and property	7,782	-	29,724
Intergovernmental	182,662	-	-
Charges for service	133,319	-	-
Miscellaneous	100,322	-	124,061
Total revenues	<u>1,343,862</u>	<u>885,271</u>	<u>153,785</u>
Expenditures:			
Operating:			
Public safety	1,044,848	-	-
Public works	432,051	-	-
Culture and recreation	561,258	-	-
Community and economic development	60,435	5,163	122,199
General government	321,840	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	<u>2,420,432</u>	<u>5,163</u>	<u>122,199</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,076,570)</u>	<u>880,108</u>	<u>31,586</u>
Other financing sources (uses):			
Operating transfers in	1,126,704	743	238,646
Operating transfers out	(81,183)	(1,032,036)	(14,405)
General obligation bonds issued	-	-	-
Discount on general obligation bonds	-	-	-
Total other financing sources (uses)	<u>1,045,521</u>	<u>(1,031,293)</u>	<u>224,241</u>
Net change in fund balances	(31,049)	(151,185)	255,827
Fund balances (deficit) beginning of year	<u>715,496</u>	<u>(541,856)</u>	<u>1,203,477</u>
Fund balances (deficit) end of year	<u>\$ 684,447</u>	<u>(693,041)</u>	<u>1,459,304</u>

See notes to financial statements.

<u>Local Option Sales Tax</u>	<u>Payroll Tax Levy</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
-	471,658	282,993	-	-	1,545,978
-	-	-	-	-	885,271
410,360	40,498	18,502	-	30,906	567,995
-	-	-	-	-	60,721
16,050	-	5,349	14,418	9,373	82,696
-	-	-	371,979	401,116	955,757
-	-	-	-	-	133,319
-	-	-	149,321	3,364	377,068
<u>426,410</u>	<u>512,156</u>	<u>306,844</u>	<u>535,718</u>	<u>444,759</u>	<u>4,608,805</u>
-	-	-	-	8,106	1,052,954
-	-	-	-	-	432,051
-	-	-	-	-	561,258
-	-	-	-	13,361	201,158
-	-	-	-	-	321,840
-	-	753,665	-	-	753,665
-	-	-	1,622,196	-	1,622,196
-	-	753,665	1,622,196	21,467	4,945,122
<u>426,410</u>	<u>512,156</u>	<u>(446,821)</u>	<u>(1,086,478)</u>	<u>423,292</u>	<u>(336,317)</u>
43,400	-	449,789	808,850	87,435	2,755,567
(409,237)	(458,619)	-	(352,695)	(432,512)	(2,780,687)
-	-	-	960,000	-	960,000
-	-	-	(6,086)	-	(6,086)
<u>(365,837)</u>	<u>(458,619)</u>	<u>449,789</u>	<u>1,410,069</u>	<u>(345,077)</u>	<u>928,794</u>
60,573	53,537	2,968	323,591	78,215	592,477
<u>1,139,911</u>	<u>5,079</u>	<u>71,773</u>	<u>(317,506)</u>	<u>686,130</u>	<u>2,962,504</u>
<u>1,200,484</u>	<u>58,616</u>	<u>74,741</u>	<u>6,085</u>	<u>764,345</u>	<u>3,554,981</u>

City of Iowa Falls, Iowa
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities

Exhibit F

Year ended June 30, 2004

Net change in fund balances - Total governmental funds (page 22) \$ 592,477

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	1,419,615	
Depreciation expense	<u>(740,111)</u>	679,504

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	10,269	
Other	<u>(21,944)</u>	(11,675)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Current year debt issues exceeded debt repayment as follows:

General obligation bonds issued	(960,000)	
Discount on general obligation bonds	6,086	
Principal repayments	<u>570,000</u>	(383,914)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	(23,583)	
Accrued interest on long-term debt	<u>(413)</u>	(23,996)

Statement of activities recognizes losses on disposal of fixed assets, while the governmental funds do not.

Loss on disposal of fixed asset		<u>(41,420)</u>
---------------------------------	--	-----------------

Change in net assets of governmental activities (page 15) **\$ 810,976**

See notes to financial statements.

City of Iowa Falls, Iowa
Statement of Net Assets
Proprietary - Enterprise Funds
June 30, 2004

	<u>Water</u>	<u>Wastewater</u>
Assets		
Current assets:		
Cash	\$ 495,967	384,814
Receivables (net of allowance for uncollectibles):		
Customer accounts and unbilled usage	47,650	63,101
Accrued interest	1,248	2,260
Other	-	-
Interfund receivable	134,247	295,844
Inventories	21,294	-
Prepaid expenses	14,658	16,467
Noncurrent assets:		
Restricted assets:		
Cash:		
Customer deposits	19,602	-
Revenue bond and interest sinking account	-	1
Revenue debt service reserve account	-	311,871
Wastewater improvement account	-	100,000
Wastewater replacement account	-	101,234
Donations restricted for specific purpose	-	-
Accrued interest on restricted assets	-	-
Investment in affiliated organizations	-	-
Capital assets (net of accumulated depreciation)	1,993,166	5,173,930
Bond issuance costs	-	-
Total assets	<u>2,727,832</u>	<u>6,449,522</u>

City of Iowa Falls, Iowa
Statement of Net Assets
Proprietary - Enterprise Funds
June 30, 2004

	<u>Water</u>	<u>Wastewater</u>
Liabilities		
Current liabilities:		
Accounts payable	151,481	22,039
Salaries and benefits payable	1,769	1,757
Compensated absences	9,678	9,678
Capital lease	-	-
Third-party payor settlement	-	-
Current liabilities payable from restricted assets:		
Customer deposits	19,602	-
Revenue bonds/notes payable	-	166,000
Accrued and matured interest payable	-	8,813
Noncurrent liabilities:		
Revenue bonds/notes payable	-	2,358,000
Capital lease	-	-
Compensated absences	10,863	10,863
Total liabilities	<u>193,393</u>	<u>2,577,150</u>
Net Assets		
Invested in capital assets net of related debt	1,993,166	2,649,930
Restricted for:		
Revenue bond retirement	-	311,872
Wastewater replacement	-	101,234
Wastewater improvement	-	100,000
Capital improvements by donors	-	-
Bond indentures	-	-
Unrestricted	541,273	709,336
Total net assets	<u>\$ 2,534,439</u>	<u>3,872,372</u>

See notes to financial statements.

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
2,016,973	152,168	3,049,922
2,301,060	46,927	2,458,738
8,254	383	12,145
56,236	-	56,236
-	-	430,091
343,436	-	364,730
95,279	18,510	144,914
-	-	19,602
23,727	-	23,728
284,725	-	596,596
-	-	100,000
-	-	101,234
902,471	-	902,471
11,100	-	11,100
371,201	-	371,201
6,195,149	123,895	13,486,140
21,713	-	21,713
<u>12,631,324</u>	<u>341,883</u>	<u>22,150,561</u>

(continued)

Exhibit G

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
290,564	12,295	476,379
305,018	2,648	311,192
245,112	5,988	270,456
113,258	-	113,258
297,216	-	297,216
-	-	19,602
169,687	-	335,687
-	-	8,813
2,208,413	-	4,566,413
256,500	-	256,500
-	8,154	29,880
<u>3,885,768</u>	<u>29,085</u>	<u>6,685,396</u>
3,447,291	123,895	8,214,282
-	-	311,872
-	-	101,234
-	-	100,000
913,571	-	913,571
308,452	-	308,452
4,076,242	188,903	5,515,754
<u>8,745,556</u>	<u>312,798</u>	<u>15,465,165</u>

City of Iowa Falls, Iowa

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary - Enterprise Funds

Year ended June 30, 2004

	<u>Water</u>	<u>Wastewater</u>
Operating revenues:		
Charges for service	\$ 466,767	663,639
Miscellaneous	<u>18,250</u>	<u>11,152</u>
Total operating revenues	<u>485,017</u>	<u>674,791</u>
Operating expenses:		
Business type activities	<u>679,744</u>	<u>621,356</u>
Total operating expenses	<u>679,744</u>	<u>621,356</u>
Operating income (loss)	<u>(194,727)</u>	<u>53,435</u>
Non-operating revenues (expenses):		
Interest income	9,982	19,290
Miscellaneous revenue, primarily donations	-	-
Interest expense	-	(113,243)
Share of net gain/loss of hospital's affiliated organizations	-	-
Miscellaneous expense	<u>-</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>9,982</u>	<u>(93,953)</u>
Change in net assets	(184,745)	(40,518)
Net assets beginning of year	<u>2,719,184</u>	<u>3,912,890</u>
Net assets end of year	<u>\$ 2,534,439</u>	<u>3,872,372</u>

See notes to financial statements.

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
11,399,544	601,495	13,131,445
<u>517,064</u>	<u>13,822</u>	<u>560,288</u>
<u>11,916,608</u>	<u>615,317</u>	<u>13,691,733</u>
<u>11,596,596</u>	<u>632,289</u>	<u>13,529,985</u>
<u>11,596,596</u>	<u>632,289</u>	<u>13,529,985</u>
<u>320,012</u>	<u>(16,972)</u>	<u>161,748</u>
63,663	2,263	95,198
9,630	-	9,630
(147,524)	-	(260,767)
(106,135)	-	(106,135)
<u>(1,718)</u>	<u>-</u>	<u>(1,718)</u>
<u>(182,084)</u>	<u>2,263</u>	<u>(263,792)</u>
137,928	(14,709)	(102,044)
<u>8,607,628</u>	<u>327,507</u>	<u>15,567,209</u>
<u>8,745,556</u>	<u>312,798</u>	<u>15,465,165</u>

City of Iowa Falls, Iowa
Statement of Cash Flows
Proprietary - Enterprise Funds
Year ended June 30, 2004

	<u>Water</u>	<u>Wastewater</u>
Cash flows from operating activities:		
Cash received from customers and users	\$ 485,181	679,686
Cash received from other revenues	-	-
Cash paid to suppliers and employees	<u>(446,651)</u>	<u>(301,079)</u>
Net cash provided by operating activities	<u>38,530</u>	<u>378,607</u>
Cash flows from noncapital financing activities:		
Advances to other funds, net of advance repayments	(34,310)	(99,172)
Restricted and unrestricted contributions	<u>-</u>	<u>-</u>
Net cash provided by (used for) noncapital financing activities	<u>(34,310)</u>	<u>(99,172)</u>
Cash flows from capital and related financing activities:		
Proceeds from sale of property and equipment	-	-
Acquisition of capital assets	(20,021)	(183,186)
Principal paid on revenue bonds/notes	-	(160,000)
Principal paid on capital lease	-	-
Interest paid on revenue bonds/notes	-	(113,802)
Interest paid on capital lease	<u>-</u>	<u>-</u>
Net cash used for capital and related financing activities	<u>(20,021)</u>	<u>(456,988)</u>
Cash flows from investing activities:		
Interest on investments	9,448	18,534
Decrease in investment in affiliated organizations	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>9,448</u>	<u>18,534</u>
Net increase in cash and cash equivalents	(6,353)	(159,019)
Cash and cash equivalents beginning of year	<u>521,922</u>	<u>1,056,939</u>
Cash and cash equivalents end of year	<u>\$ 515,569</u>	<u>897,920</u>

City of Iowa Falls, Iowa

Statement of Cash Flows

Proprietary - Enterprise Funds

Year ended June 30, 2004

	<u>Water</u>	<u>Wastewater</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (194,727)	53,435
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	93,932	307,976
Forgiveness of accounts receivable from affiliated organization	-	-
(Increase) decrease in customer accounts receivable and unbilled usage and other accounts receivable	164	4,895
(Increase) decrease in inventories, at cost	4,176	-
(Increase) in prepaid expenses	(452)	(364)
Increase in accounts payable, excluding payables for assets capitalized	137,086	14,244
Increase (decrease) in salaries payable	(1,589)	(1,519)
(Decrease) in compensated absences	(60)	(60)
Increase in third-party payor settlement	-	-
Net cash provided by operating activities	<u>\$ 38,530</u>	<u>378,607</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on the Statement of Net Assets:		
Current assets:		
Cash	\$ 495,967	384,814
Restricted assets:		
Cash:		
Customer deposits	19,602	-
Revenue bond and interest sinking account	-	1
Revenue debt service reserve account	-	311,871
Wastewater improvement account	-	100,000
Wastewater replacement account	-	101,234
Donations restricted for specific purpose	-	-
Cash and cash equivalents at year end	<u>\$ 515,569</u>	<u>897,920</u>

See notes to financial statements.

Exhibit I

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
11,461,852	618,224	13,244,943
486,042	-	486,042
<u>(10,871,837)</u>	<u>(586,144)</u>	<u>(12,205,711)</u>
<u>1,076,057</u>	<u>32,080</u>	<u>1,525,274</u>
-	-	(133,482)
<u>9,630</u>	<u>-</u>	<u>9,630</u>
<u>9,630</u>	<u>-</u>	<u>(123,852)</u>
2,029	-	2,029
(395,174)	-	(598,381)
(161,165)	-	(321,165)
(107,317)	-	(107,317)
(123,558)	-	(237,360)
<u>(23,134)</u>	<u>-</u>	<u>(23,134)</u>
<u>(808,319)</u>	<u>-</u>	<u>(1,285,328)</u>
58,308	2,048	88,338
<u>30,347</u>	<u>-</u>	<u>30,347</u>
<u>88,655</u>	<u>2,048</u>	<u>118,685</u>
366,023	34,128	234,779
<u>2,861,873</u>	<u>118,040</u>	<u>4,558,774</u>
<u>3,227,896</u>	<u>152,168</u>	<u>4,793,553</u>

(continued)

Exhibit I

<u>Hospital</u>	<u>Sanitation</u>	<u>Total</u>
320,012	(16,972)	161,748
699,368	53,631	1,154,907
(105,829)	-	(105,829)
(157,111)	2,907	(149,145)
(639)	-	3,537
(10,315)	(2,596)	(13,727)
6,951	1,246	159,527
135,223	(2,068)	130,047
-	(4,068)	(4,188)
188,397	-	188,397
<u>1,076,057</u>	<u>32,080</u>	<u>1,525,274</u>

2,016,973	152,168	3,049,922
-	-	19,602
23,727	-	23,728
284,725	-	596,596
-	-	100,000
-	-	101,234
902,471	-	902,471
<u>3,227,896</u>	<u>152,168</u>	<u>4,793,553</u>

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Iowa Falls is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Iowa Falls provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also operates the airport and provides water, sewer and sanitation utilities.

The financial statements of the City of Iowa Falls have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of Iowa Falls has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

Based on the foregoing criteria, the Ellsworth Municipal Hospital is considered to be part of the primary government and, therefore, the financial information is included in the City's financial statements. The financial activities of the Hospital are reflected in this report as an Enterprise Fund.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

These financial statements present the City of Iowa Falls (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Iowa Falls Municipal Airport Authority (Authority) was established pursuant to Chapter 330A of the Code of Iowa to operate the City's airport facility. The Authority is governed by a five member board appointed by the Iowa Falls City Council who serve at the pleasure of the City Council. The City annually provides significant operating subsidies to the Authority. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Authority meets the definition of a component unit which should be discretely presented. The Authority is accounted for as a Proprietary Fund in these financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Hardin County Assessor's Conference Board, Region Six Planning Commission, Region Six Housing Authority, Hardin County Sanitary Solid Waste Disposal Commission, Hardin County Emergency Management Commission, Hardin County E911 Service Board, Mid Iowa Drug Task Force and the NE Iowa Hazardous Materials Response Group.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Tax Increment Financing Revenues Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The Economic Development Loans Fund is used to account for economic development loans made to businesses operating in the City and to other City funds.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The Payroll Tax Levy Fund is used to account for property tax levied to finance the payment of employee benefits.

The Debt Service Fund is used to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2004

The City reports the following major proprietary funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Wastewater Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Hospital Fund is used to account for the operation and maintenance of Ellsworth Municipal Hospital.

The Sanitation Fund is used to account for the operation and maintenance of the City's garbage and landfill system.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary funds of the City apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The cash balances of most City funds are pooled and invested in interest-bearing cash accounts or certificates of deposit. Interest on the pooled cash investments is recognized as revenue when earned and allocated to the funds on a systematic basis, or as provided by law. Cash investments are separately held by the Hospital Fund, for which interest is also recognized as revenue when earned. Investments consist of non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax and tax increment financing revenue receivable represent taxes collected by the County but not remitted to the City at June 30, 2004 and unpaid taxes. The succeeding year property tax and tax increment financing revenues receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing revenues receivable have been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

Property tax and tax increment financing revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects tax asking contained in the budget certified to the County Board of Supervisors in March, 2003.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2004, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Enterprise Fund inventories of materials and supplies are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue bonds/notes are classified as restricted assets since their use is restricted by applicable bond/note indentures. Other restricted assets include donations restricted for specific purposes and customer deposits restricted for application to unpaid customer accounts or for refund to customers.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$ 250
Equipment and vehicles	250
Infrastructure	25,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	40-50 years
Improvements other than buildings	20-50 years
Vehicles	10-15 years
Equipment	5-30 years
Infrastructure	15-20 years

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

Bond Issuance Costs – Bond issuance costs associated with general obligation and revenue bonds are deferred and amortized over the term of the bonds using the bond outstanding method which approximates the interest method.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax and tax increment financing revenues receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Per the Code of Iowa, disbursements may not legally exceed amounts budgeted by function. During the year ended June 30, 2004, disbursements did not exceed the amounts budgeted.

(2) Cash

The City's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standard Board Statement No. 3.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

(3) Allowances or Collection Losses

Allowances have been made for estimated collection losses on the following receivable amounts:

	Gross Receivables	Allowance For Collection Losses	Net Receivables
Customer accounts, Hospital Fund	\$ 2,739,060	438,000	2,301,060

(4) Capital Assets

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Primary Government				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 835,920	---	---	835,920
Construction in progress - infrastructure	176,180	535,937	674,967	37,150
Construction in progress - other	936,990	688,407	965,919	659,478
Total capital assets not being depreciated	1,949,090	1,224,344	1,640,886	1,532,548
Capital assets being depreciated:				
Buildings	3,942,198	965,919	---	4,908,117
Improvements other than buildings	2,991,269	---	---	2,991,269
Equipment and vehicles	2,190,797	195,271	104,756	2,281,312
Infrastructure, street network	5,831,789	674,967	---	6,506,756
Total capital assets being depreciated	14,956,053	1,836,157	104,756	16,687,454
Less accumulated depreciation for:				
Buildings	399,136	96,200	---	495,336
Improvements other than buildings	609,781	142,768	---	752,549
Equipment and vehicles	1,294,047	180,854	63,336	1,411,565
Infrastructure, street network	2,832,616	320,289	---	3,152,905
Total accumulated depreciation	5,135,580	740,111	63,336	5,812,355
Total capital assets being depreciated, net	9,820,473	1,096,046	41,420	10,875,099
Governmental activities capital assets, net	\$ 11,769,563	2,320,390	1,682,306	12,407,647

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2004

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Capital assets not being depreciated:				
Land	\$ 683,257	---	---	683,257
Construction in progress	<u>35,173</u>	<u>202,938</u>	<u>---</u>	<u>238,111</u>
Total capital assets not being depreciated	<u>718,430</u>	<u>202,938</u>	<u>---</u>	<u>921,368</u>
Capital assets being depreciated:				
Buildings	5,001,691	2,335	---	5,004,026
Improvements other than buildings	659,420	---	---	659,420
Equipment and vehicles	9,317,508	393,108	(90,629)	9,619,987
Infrastructure, water and sewer network	<u>9,541,860</u>	<u>---</u>	<u>---</u>	<u>9,541,860</u>
Total capital assets being depreciated	<u>24,520,479</u>	<u>395,443</u>	<u>(90,629)</u>	<u>24,825,293</u>
Less accumulated depreciation for:				
Buildings	2,129,510	152,037	---	2,281,547
Improvements other than buildings	367,813	60,247	---	428,060
Equipment and vehicles	5,491,725	639,872	(86,882)	6,044,715
Infrastructure, water and sewer network	<u>3,205,437</u>	<u>300,762</u>	<u>---</u>	<u>3,506,199</u>
Total accumulated depreciation	<u>11,194,485</u>	<u>1,152,918</u>	<u>(86,882)</u>	<u>12,260,521</u>
Total capital assets being depreciated, net	<u>13,325,994</u>	<u>(757,475)</u>	<u>(3,747)</u>	<u>12,564,772</u>
Business type activities capital assets, net	<u>\$ 14,044,424</u>	<u>(554,537)</u>	<u>(3,747)</u>	<u>13,486,140</u>

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2004

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
Public safety	\$ 104,460
Public works	373,869
Culture and recreation	251,762
General government	<u>10,020</u>
Total depreciation expense – governmental activities	\$ 740,111 =====
Business type activities:	
Water	\$ 93,932
Wastewater	307,976
Hospital	697,379
Sanitation	<u>53,631</u>
Total depreciation expense – business type activities	\$ 1,152,918 =====

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Discretely presented component unit:				
Capital assets not being depreciated:				
Land	\$ 55,875	---	---	55,875
Capital assets being depreciated:				
Buildings	148,524	---	---	148,524
Improvements other than buildings	25,388	---	---	25,388
Equipment and vehicles	133,746	---	---	133,746
Infrastructure, runway network	1,387,290	---	---	1,387,290
Total capital assets being depreciated	1,694,948	---	---	1,694,948
Less accumulated depreciation for:				
Buildings	128,883	2,183	---	131,066
Improvements other than buildings	20,175	1,406	---	21,581
Equipment and vehicles	55,452	8,135	---	63,587
Infrastructure, runway network	569,016	60,016	---	629,032
Total accumulated depreciation	773,526	71,740	---	845,266
Total capital assets being depreciated, net	921,422	(71,740)	---	849,682
Airport Authority capital assets, net	\$ 977,297	(71,740)	---	905,557
	=====	=====	=====	=====
Total depreciation expense – discretely presented component unit			\$ 71,740	=====

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

(5) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes:					
General and corporate purpose	\$ 3,945,000	960,000	570,000	4,335,000	585,000
Compensated absences	162,495	133,490	109,907	186,078	109,907
Total	<u>4,107,495</u>	<u>1,093,490</u>	<u>679,907</u>	<u>4,521,078</u>	<u>694,907</u>
Business type activities:					
Revenue bonds/notes:					
Wastewater	\$ 2,684,000	---	160,000	2,524,000	166,000
Hospital	2,539,265	---	161,165	2,378,100	169,687
Capital lease	477,075	---	107,317	369,758	113,258
Compensated absences	<u>304,524</u>	<u>29,532</u>	<u>33,720</u>	<u>300,336</u>	<u>270,456</u>
Total	<u>6,004,864</u>	<u>29,532</u>	<u>462,202</u>	<u>5,572,194</u>	<u>719,401</u>

The government-wide Statement of Activities includes \$335,687 of the long-term liabilities due within one year for business type activities in “liabilities payable from restricted assets.”

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2004

Bonded Debt

General obligation bonds/notes:

Eight issues of unmatured general obligation bonds/notes, totaling \$4,335,000, are outstanding at June 30, 2004. General obligation bonds/notes bear interest with rates ranging from 1.40% to 5.40% and mature in varying annual amounts ranging from \$50,000 to \$215,000, with the final maturities due in the year ending June 30, 2014.

Revenue bonds/notes:

Two issues of unmatured revenue bonds/notes, totaling \$4,901,837, are outstanding at June 30, 2004. These bonds/notes bear interest at rates of 4.19% to 5.00% and mature in varying annual amounts ranging from \$166,000 to \$265,873, with the final maturities due in the year ending June 30, 2016.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions:

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate wastewater and hospital bond and interest sinking accounts for the purpose of making the bond/note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to separate wastewater and hospital debt service reserve accounts until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying bond/note principal and interest payments due when insufficient money is available in the sinking accounts.
- (d) Additional monthly transfers of \$2,000 to the wastewater improvement and replacement accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

- (e) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds/notes falling due in the same year.

During the year ended June 30, 2004, the City was in compliance with the revenue bond/note provisions.

Details of bond/notes payable at June 30, 2004 are as follows:

Governmental activities:	Date of <u>Issue</u>	Interest <u>Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	Amount Originally <u>Issued</u>	Outstanding <u>June 30, 2004</u>
General obligation bonds/notes:						
Corporate purpose	Oct 1, 2003	1.40-2.95%	Jun 1, 2009	\$ 50,000-55,000	\$ 260,000	\$ 260,000
Corporate purpose	Oct 1, 2003	1.40-4.00%	Jun 1, 2014	60,000-80,000	700,000	700,000
Capital loan notes	Jul 1, 1999	4.25-4.65%	Jun 1, 2005	60,000	270,000	60,000
Corporate purpose	Jul 1, 1999	4.80-5.00%	Jun 1, 2014	145,000-215,000	2,400,000	1,765,000
Capital loan notes	Jul 1, 2000	5.15-5.40%	Jun 1, 2006	50,000	230,000	100,000
Capital loan notes	Oct 15, 2001	2.45-4.00%	Jun 1, 2009	110,000-130,000	800,000	595,000
Essential corporate purpose	Oct 15, 2002	1.65-2.85%	Jun 1, 2008	50,000-55,000	265,000	215,000
Essential corporate purpose	Dec 15, 2002	2.40-4.00%	Jun 1, 2013	60,000-80,000	700,000	<u>640,000</u>
Total governmental activities						\$ <u>4,335,000</u>
Business type activities:	Date of <u>Issue</u>	Interest <u>Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	Amount Originally <u>Issued</u>	Outstanding <u>June 30, 2004</u>
Revenue bonds/notes:						
Wastewater revenue capital loan notes, series 1996	Feb 16, 1996	4.19%	Jun 1, 2016	\$156,000-261,000	\$ 4,745,000	\$ 2,524,000
Hospital revenue bond, series 1998	Nov 1, 1998	5.00%	Jun 1 2015	10,810-264,770	3,000,000	<u>2,378,100</u>
Total business type activities						<u>4,902,100</u>
Total						\$ <u>9,237,100</u> =====

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2004

A summary of the annual bond/note principal and interest requirements to maturity by type of bond/note is as follows:

Year Ending <u>June 30,</u>	<u>General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 585,000	168,051	753,051
2006	550,000	148,316	698,316
2007	510,000	129,757	639,757
2008	530,000	112,311	642,311
2009	495,000	93,104	588,104
2010-2014	<u>1,665,000</u>	<u>224,307</u>	<u>1,889,307</u>
Total	<u>\$ 4,335,000</u>	<u>875,846</u>	<u>5,210,846</u>

Year Ending <u>June 30,</u>	<u>Revenue</u>			<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2005	\$ 335,687	220,794	556,481	1,309,532
2006	351,368	205,157	556,525	1,254,841
2007	367,494	188,783	556,277	1,196,034
2008	385,107	171,648	556,755	1,199,066
2009	403,170	153,687	556,857	1,144,961
2010-2014	<u>2,315,108</u>	<u>467,954</u>	<u>2,783,062</u>	<u>4,672,369</u>
2015-2016	<u>744,166</u>	<u>37,737</u>	<u>781,903</u>	<u>781,903</u>
Total	<u>\$ 4,902,100</u>	<u>1,445,760</u>	<u>6,347,860</u>	<u>11,558,706</u>

As of June 30, 2004, the general obligation debt issued by the City did not exceed its legal debt margin computed as follows:

Actual valuation	\$ <u>189,179,748</u>
Debt limit – 5% of total actual valuation	9,458,987
Debt applicable to debt limit:	
General obligation bonded debt outstanding	<u>4,335,000</u>
Legal debt margin	<u>\$ 5,123,987</u>

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2004

Other Than Bonded Debt

As of June 30, 2004 this debt consisted of the following:

During the year ended June 30, 2003, the City entered into a lease-purchase agreement on behalf of Ellsworth Municipal Hospital for equipment. The lease is for five years, has an effective interest rate of 5.18% and requires monthly payments of \$10,871.

The above lease is payable solely from net revenues of the Hospital and does not constitute a liability of the City. The following is a schedule of future minimum lease payments and the present value of net minimum lease payments under the agreement:

<u>Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 130,452
2006	130,452
2007	130,452
2008	<u>10,871</u>
Total minimum lease payments	402,227
Less amount representing interest	<u>32,469</u>
 Present value of net minimum lease payments	 \$ 369,758 <u>=====</u>

Payments under the above agreement during the year ended June 30, 2004 totaled \$130,452.

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2004

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Payroll Tax Levy	\$ 458,619
	Road Use	432,512
	Local Option Sales Tax	160,386
	Capital Projects	75,187
Special Revenue		
TIF	Capital Projects	743
LOST	Capital Projects	10,532
	General	32,868
Economic Development		
Loans	Special Revenue:	
	TIF	31,304
	Capital Projects	116,855
Carnegie-Ellsworth		
Building Endowment	Capital Projects	54,468
Carnegie-Ellsworth		
Building Maintenance	General	320
	Capital Projects	2,935
	Special Revenue:	
	TIF	29,713
Debt Service	Capital Projects	1,489
	Special Revenue:	
	TIF	215,387
	Local Option Sales Tax	232,914

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Capital Projects	General	22,875
	Special Revenue:	
	TIF	750,757
	Local Option Sales Tax	15,936
	Economic Development Loans	109,767
Component Unit – Airport	General	25,120
Total		<u>\$ 2,780,687</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(7) Interfund Assets/Liabilities

Interfund Receivable/Payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue:		
Economic Development Loans	Special Revenue:	
	Tax Increment Financing Revenues	\$ 100,000
	Capital Projects	142,052
Local Option Sales Tax	Capital Projects	276,350
	Special Revenue:	
	Tax Increment Financing Revenues	8,057
Carnegie-Ellsworth Endowment	Special Revenue:	
	Tax Increment Financing Revenues	470,826
Carnegie-Ellsworth Maintenance	Special Revenue:	
	Tax Increment Financing Revenues	22,597
Enterprise:		
Water	Capital Projects	83,999
Wastewater	Capital Projects	198,054
	Special Revenue:	
	Tax Increment Financial Revenues	148,038
Total		<u>\$ 1,449,973</u>

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2004

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

(8) Economic Development Loans Receivable

The City has various long-term loans receivable totaling \$174,271 as of June 30, 2004 due from businesses located in Iowa Falls. The loans were financed with the proceeds of two U.S. Department of Housing and Urban Development Action Grants and one Community Development Block Grant.

The first loan of \$44,041 as of June 30, 2004 requires monthly payments of \$736, including interest at 3% until November 1, 2004, at which time a balloon payment is due. This loan is collateralized by a second mortgage on all real estate of the business.

A second loan of \$5,951 as of June 30, 2004 requires monthly payments of \$174, including interest at 3%, until May 1, 2007. This loan is secured by a second security interest in the equipment, machinery and general business assets of the business.

A third loan of \$9,938 as of June 30, 2004 requires monthly payments of \$309, including interest at 3%, until May 1, 2007. This loan is secured by a second security interest in the equipment, machinery and general business assets of the business.

A fourth loan of \$31,373 as of June 30, 2004 requires monthly payments of \$483, including interest of 3%, until June 1, 2006, at which time a balloon payment is due. This loan is secured by a first mortgage agreement on all land and buildings on all real estate of the business.

A fifth loan of \$40,000 as of June 30, 2004 requires annual payments of \$10,000, plus interest of 3%, until March 1, 2006. The loan is secured by assignment contract and mortgage.

A sixth loan of \$42,968 as of June 30, 2004 requires monthly payments of \$898, including interest at 3%, until July 1, 2007. This loan is collateralized by a lien on the building and a subordinate security interest in the equipment and machinery of the business.

City of Iowa Falls, Iowa
Notes to Financial Statements

June 30, 2004

(9) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issued a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$423,948, \$411,927, and \$410,298, respectively, equal to the required contributions for each year.

(10) Industrial Development Revenue Bonds

The City has issued a total of \$16,325,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$7,695,000 is outstanding at June 30, 2004. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(11) Deficit Balances

As of June 30, 2004, funds with deficit balances were as follows:

Special Revenue, Tax Increment Financing	
Revenues Fund	\$ 693,041

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

This deficit balance is a result of transferring funds to the Debt Service Fund and the Capital Projects, Tax Increment Financing Capital Projects Fund in excess of available funds. This deficit will be eliminated upon collection of tax increment financing revenues.

(12) Joint Financing Agreement

The City is a member of the Hardin County Solid Waste Disposal Commission. The Hardin County Solid Waste Disposal Commission entered into a 28E agreement with the Butler County Solid Waste Commission and the Wright County Area Landfill Authority which established the Rural Iowa Waste Management Association (Association). During the year ended June 30, 1996, the Rural Iowa Waste Management Association issued \$830,000 of Solid Waste Revenue Bonds pursuant to Chapter 28F.9 of the Code of Iowa. The principal and interest on the bonds are payable solely from and secured by the net revenues of the facilities operated by the Association. The balance outstanding at June 30, 2004 is \$570,000.

(13) Risk Management

The City of Iowa Falls and the Ellsworth Municipal Hospital are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(14) Hospital Affiliated Organizations

Iowa Falls Clinic

During 1998, the Ellsworth Municipal Hospital entered into a joint venture agreement with North Iowa Mercy Health Center for the formation of Iowa Falls Clinic (the Clinic). The Clinic provides, develops, and coordinates all clinical medical services to residents, visitors and employees of Hardin County and the surrounding area.

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

The Hospital is a 50% owner of the Clinic and shares 50% of income or loss from Clinic operations. The Hospital recognized its share of the venture's loss of \$111,279 for the year ended June 30, 2004 in non-operating revenues (expenses).

The Hospital provides space and contracted services for the daily operations of the Clinic.

Total receipts for rent revenue and contracted services for the year ended June 30, 2004 were approximately \$841,000. During the year, the Hospital forgave accounts receivable from the Clinic totaling \$105,829. As of June 30, 2004, the Hospital recorded a receivable from the clinic of \$44,351 relating to these services.

Summarized financial information from the financial statements of Iowa Falls Clinic as of and for the year ended June 30, 2004 is as follows:

Assets	\$ 695,814
Liabilities	(201,253)
Net Assets	494,561
	=====
Net Revenues	2,749,052
	=====
Net Loss	(222,557)
	=====

Greenbelt Home Care

During 1999, the Ellsworth Municipal Hospital entered into a joint venture with Greenbelt Home Care as a 16.16% partner, and shares income or loss in this percentage. During the year ended June 30, 2001, the ownership share of one of the partners was dissolved and assumed by the remaining partners. As a result, the Hospital's ownership in Greenbelt Home Care was 20% at June 30, 2003. The Hospital recognized \$13,317 as its 20% share of the joint venture's loss for the year ended June 30, 2004 in non-operating revenues (expenses).

City of Iowa Falls, Iowa

Notes to Financial Statements

June 30, 2004

Ellsworth Municipal Hospital Foundation

During 2003, the Ellsworth Municipal Hospital Foundation, a related organization, was organized under the provisions of Internal Revenue Code Section 501(c)(3). The Foundation is organized and operated exclusively to benefit Ellsworth Municipal Hospital and the Hospital is the sole corporate member of the Foundation. During the year ended June 30, 2003, the Hospital transferred assets totaling \$83,794 to the Foundation. As of June 30, 2004, the Foundation had a payable to the Hospital in the amount of \$1,030, which is recorded with other receivables on the balance sheet of the Hospital. As of June 30, 2004, the Foundation had total assets of \$338,555, net assets of \$337,525, and received contributions totaling \$164,574.

(15) Subsequent Events

The City has committed financial aid to a local business of up to \$2,275,000 to help build an ethanol plant. This aid will be paid out from 2004 to 2007 from the Economic Development Revolving Loan Fund. The loan will be repaid from collection of TIF taxes.

The City has also committed to issuing \$900,000 of GO bonds. These bond proceeds will be used to pay for street improvements, purchase of a motor grader, and water improvements.

Required Supplementary Information

City of Iowa Falls, Iowa
 Budgetary Comparison Schedule of
 Receipts/Revenues, Disbursements/Expenses and Changes in Balances/Net Assets -
 Budget and Actual
 All Governmental and Proprietary Funds and the
 Discretely Presented Component Unit
 Required Supplementary Information
 Year ended June 30, 2004

	Funds Budgeted on Cash Basis - Actual			
	Governmental Fund Types	Proprietary Fund Type - Enterprise (excluding Hospital)	Component Unit - Airport Authority	Total
Receipts/Revenues:				
Property tax	\$ 1,678,573	-	23,631	1,702,204
Tax increment financing	888,895	-	-	888,895
Other city tax	455,143	-	2,022	457,165
Licenses and permits	50,360	-	-	50,360
Use of money and property	68,912	29,437	10,736	109,085
Intergovernmental	1,396,460	-	-	1,396,460
Charges for service	156,168	1,776,152	-	1,932,320
Special assessments	123	-	-	123
Miscellaneous	321,168	6,709	152	328,029
Total receipts/revenues	<u>5,015,802</u>	<u>1,812,298</u>	<u>36,541</u>	<u>6,864,641</u>
Disbursements/Expenses:				
Public safety	1,154,048	-	-	1,154,048
Public works	471,433	-	61,661	533,094
Culture and recreation	611,071	-	-	611,071
Community and economic development	489,177	-	-	489,177
General government	256,946	-	-	256,946
Debt service	753,665	-	-	753,665
Capital projects	1,639,833	-	-	1,639,833
Business type activities	-	1,810,653	-	1,810,653
Total disbursements/expenses	<u>5,376,173</u>	<u>1,810,653</u>	<u>61,661</u>	<u>7,248,487</u>
Excess (deficiency) of receipts/revenues over (under) disbursements/expenses	(360,371)	1,645	(25,120)	(383,846)
Other financing sources, net	<u>1,061,683</u>	<u>(132,889)</u>	<u>25,120</u>	<u>953,914</u>
Excess (deficiency) of receipts/revenues and other financing sources over (under) disbursements/expenses and other financing uses	701,312	(131,244)	-	570,068
Balances/net assets beginning of year	<u>3,209,611</u>	<u>1,696,901</u>	<u>-</u>	<u>4,906,512</u>
Balances/net assets end of year	<u>\$ 3,910,923</u>	<u>1,565,657</u>	<u>-</u>	<u>5,476,580</u>

See accompanying independent auditor's report.

Funds Budgeted
on GAAP Basis

<u>- Actual</u>				
Proprietary				
<u>Fund Type</u>	Total	<u>Budgeted Amounts</u>		Final to
<u>Hospital</u>	<u>Actual</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>
				<u>Variance</u>
-	1,702,204	1,559,893	1,723,836	(21,632)
-	888,895	830,000	930,000	(41,105)
-	457,165	540,268	393,325	63,840
-	50,360	51,945	35,945	14,415
63,663	172,748	96,566	202,040	(29,292)
-	1,396,460	671,556	1,668,658	(272,198)
11,399,544	13,331,864	14,214,830	21,108,308	(7,776,444)
-	123	-	-	123
526,694	854,723	123,647	245,847	608,876
11,989,901	18,854,542	18,088,705	26,307,959	(7,453,417)
-	1,154,048	1,130,605	1,230,579	76,531
-	533,094	506,373	575,313	42,219
-	611,071	634,219	729,454	118,383
-	489,177	11,600	489,246	69
-	256,946	181,738	289,364	32,418
-	753,665	735,501	753,666	1
-	1,639,833	1,272,551	2,890,161	1,250,328
11,851,973	13,662,626	14,318,166	21,449,490	7,786,864
11,851,973	19,100,460	18,790,753	28,407,273	9,306,813
137,928	(245,918)	(702,048)	(2,099,314)	1,853,396
-	953,914	950,000	950,000	3,914
137,928	707,996	247,952	(1,149,314)	1,857,310
8,607,628	13,514,140	10,221,496	11,838,970	1,675,170
8,745,556	14,222,136	10,469,448	10,689,656	3,532,480

City of Iowa Falls, Iowa
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2004

	Governmental Funds			Proprietary Funds Enterprise (Excluding Hospital)		
	Cash	Accrual	Modified	Cash	Accrual	
	<u>Basis</u>	<u>Adjust- ments</u>	<u>Accrual Basis</u>	<u>Basis</u>	<u>Adjust- ments</u>	<u>Accrual Basis</u>
Revenues	\$ 5,015,802	(406,997)	4,608,805	1,812,298	(5,638)	1,806,660
Expenditures	<u>(5,376,173)</u>	<u>431,152</u>	<u>(4,945,021)</u>	<u>(1,810,653)</u>	<u>(235,979)</u>	<u>(2,046,632)</u>
Net	(360,371)	24,155	(336,216)	1,645	(241,617)	(239,972)
Other financing sources (uses)	1,061,683	(132,990)	928,693	(132,889)	132,889	-
Beginning fund balances	<u>3,209,611</u>	<u>(247,107)</u>	<u>2,962,504</u>	<u>1,696,901</u>	<u>5,262,680</u>	<u>6,959,581</u>
Ending fund balances	<u>\$ 3,910,923</u>	<u>(355,942)</u>	<u>3,554,981</u>	<u>1,565,657</u>	<u>5,153,952</u>	<u>6,719,609</u>

	Discretely Presented Component Unit		
	Cash	Accrual	Accrual
	<u>Basis</u>	<u>Adjust- ments</u>	<u>Accrual Basis</u>
Revenues	\$ 61,661	(124)	61,537
Expenses	<u>(61,661)</u>	<u>(67,221)</u>	<u>(128,882)</u>
Net	-	(67,345)	(67,345)
Beginning fund balance	<u>-</u>	<u>972,782</u>	<u>972,782</u>
Ending fund balance	<u>\$ -</u>	<u>905,437</u>	<u>905,437</u>

See accompanying independent auditor's report.

City of Iowa Falls, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget following

required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, two budget amendments increased budgeted disbursements by \$9,616,520 and revenues by \$8,219,254. These budget amendments are reflected in the final budgeted amounts.

The City of Iowa Falls prepares its budget on the cash basis except for hospital operations which are budgeted in accordance with U.S. generally accepted accounting principles. The Budgetary Comparison Schedule is a comparison of the cash basis receipts and disbursements and revenues and expenses of the Hospital Fund with the budget adopted and amended by the City Council.

Other Supplementary Information

City of Iowa Falls, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004

		Special Revenue		
		Hotel	Carnegie-	Carnegie-
		<u>Motel Tax</u>	<u>Ellsworth</u>	<u>Ellsworth</u>
			<u>Endowment</u>	<u>Maintenance</u>
	Assets			
Cash		\$ 10,018	143,488	82,972
Receivables:				
Property tax:				
Accrued interest		25	-	570
Due from other governments		20,888	-	-
Interfund receivable		-	470,826	22,596
Total assets		<u>\$ 30,931</u>	<u>614,314</u>	<u>106,138</u>
	Liabilities and Fund Equity			
Liabilities:				
Accounts payable		\$ -	-	873
Total liabilities		-	-	873
Fund equity:				
Fund balances:				
Reserved for advance to other funds		-	470,826	22,596
Unreserved, undesignated		30,931	143,488	82,669
Total fund equity		30,931	614,314	105,265
Total liabilities and fund equity		<u>\$ 30,931</u>	<u>614,314</u>	<u>106,138</u>

See accompanying independent auditor's report.

Schedule 1

<u>Volunteer</u>	
<u>Fire</u>	
<u>Department</u>	<u>Total</u>
13,835	250,313
-	595
-	20,888
-	<u>493,422</u>
<u>13,835</u>	<u>765,218</u>
-	873
-	<u>873</u>
-	493,422
<u>13,835</u>	<u>270,923</u>
<u>13,835</u>	<u>764,345</u>
<u>13,835</u>	<u>765,218</u>

City of Iowa Falls, Iowa

Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances

Nonmajor Governmental Funds

Year ended June 30, 2004

	Road Use <u>Tax</u>	Hotel/Motel <u>Tax</u>	Carnegie- Ellsworth <u>Endowment</u>
Revenues:			
Property tax	\$ -	-	-
Other city tax	-	30,906	-
Use of money and property	-	25	306
Intergovernmental	400,716	-	-
Miscellaneous	-	-	-
Total revenues	<u>400,716</u>	<u>30,931</u>	<u>306</u>
Expenditures:			
Operating:			
Public safety	-	-	-
Community and economic development	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	400,716	30,931	306
Other financing sources (uses):			
Transfers in	-	-	54,468
Transfers out	(432,512)	-	-
Total other financing sources (uses)	<u>(432,512)</u>	<u>-</u>	<u>54,468</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(31,796)	30,931	54,774
Fund balances beginning of year	<u>31,796</u>	<u>-</u>	<u>559,540</u>
Fund balances end of year	<u>\$ -</u>	<u>30,931</u>	<u>614,314</u>

See accompanying independent auditor's report.

Schedule 2

<u>Carnegie- Ellsworth Maintenance</u>	<u>Volunteer Fire Department</u>	<u>Total</u>
-	-	-
-	-	30,906
5,703	3,339	9,373
-	400	401,116
1	3,363	3,364
<u>5,704</u>	<u>7,102</u>	<u>444,759</u>
-	8,106	8,106
<u>13,361</u>	<u>-</u>	<u>13,361</u>
<u>13,361</u>	<u>8,106</u>	<u>21,467</u>
(7,657)	(1,004)	423,292
32,967	-	87,435
-	-	(432,512)
<u>32,967</u>	<u>-</u>	<u>(345,077)</u>
25,310	(1,004)	78,215
<u>79,955</u>	<u>14,839</u>	<u>686,130</u>
<u>105,265</u>	<u>13,835</u>	<u>764,345</u>

City of Iowa Falls, Iowa

Bond and Note Maturities

June 30, 2004

Year Ending June 30,	General Obligation					
	Corporate Purpose		Corporate Purpose		Capital Loan Notes	
	Issued Oct 1, 2003		Issued Oct 1, 2003		Issued Jul 1, 1999	
	Interest		Interest		Interest	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2005	1.40 %	\$ 50,000	1.40 %	\$ 60,000	4.65 %	\$ 60,000
2006	1.75	50,000	1.75	65,000		-
2007	2.25	50,000	2.25	65,000		-
2008	2.60	55,000	2.60	65,000		-
2009	2.95	55,000	2.95	70,000		-
2010		-	3.30	70,000		-
2011		-	3.55	70,000		-
2012		-	3.70	75,000		-
2013		-	3.85	80,000		-
2014		-	4.00	80,000		-
Total		<u>\$ 260,000</u>		<u>\$ 700,000</u>		<u>\$ 60,000</u>

General Obligation Bonds/Notes							
Year Ending <u>June 30,</u>	Essential			Essential			
	Corporate Purpose			Corporate Purpose			
	Issued Oct 15, 2002			Issued Dec 15, 2002			
	Interest			Interest			
	<u>Rates</u>		<u>Amount</u>	<u>Rates</u>		<u>Amount</u>	<u>Total</u>
2005	2.00 %	\$	50,000	2.40 %	\$	60,000	585,000
2006	2.35		55,000	2.40		65,000	550,000
2007	2.60		55,000	2.75		65,000	510,000
2008	2.85		55,000	3.00		70,000	530,000
2009			-	3.25		70,000	495,000
2010			-	3.50		75,000	325,000
2011			-	3.75		75,000	330,000
2012			-	3.85		80,000	350,000
2013			-	4.00		80,000	365,000
2014			-			-	295,000
Total		\$	215,000		\$	640,000	4,335,000

See accompanying independent auditor's report.

Schedule 3

Bonds/Notes						
Corporate Purpose			Capital Loan Notes			Capital Loan Notes
Issued Jul 1, 1999			Issued Jul 1, 2000			Issued Oct 15, 2001
Interest			Interest			Interest
<u>Rates</u>	<u>Amount</u>		<u>Rates</u>	<u>Amount</u>		<u>Rates</u> <u>Amount</u>
4.800 %	\$	145,000	5.30 %	\$	50,000	3.05 % \$ 110,000
4.800		150,000	5.40		50,000	3.30 115,000
4.800		155,000			-	3.50 120,000
4.800		165,000			-	3.75 120,000
4.800		170,000			-	4.00 130,000
4.800		180,000			-	
4.875		185,000			-	-
4.900		195,000			-	-
5.000		205,000			-	-
5.000		215,000			-	-
		<u>\$ 1,765,000</u>			<u>\$ 100,000</u>	<u>\$ 595,000</u>

Revenue Bonds/Notes						
Wastewater Revenue			Hospital Revenue			
Capital Loan Notes			Bond Series 1998			
Series 1996			Issued Nov 1, 1998			
Issued Feb 16, 1996			Interest			<u>Total</u>
Interest			Interest			
<u>Rates</u>	<u>Amount</u>		<u>Rates</u>	<u>Amount</u>		
4.19 %	\$	166,000	5.00 %	\$	169,687	335,687
4.19		173,000	5.00		178,368	351,368
4.19		180,000	5.00		187,494	367,494
4.19		188,000	5.00		197,107	385,107
4.19		196,000	5.00		207,170	403,170
4.19		204,000	5.00		217,769	421,769
4.19		213,000	5.00		228,911	441,911
4.19		221,000	5.00		240,622	461,622
4.19		231,000	5.00		252,933	483,933
4.19		240,000	5.00		265,873	505,873
4.19		251,000	5.00		232,166	483,166
4.19		261,000	5.00		-	261,000
Total		<u>\$ 2,524,000</u>			<u>\$ 2,378,100</u>	<u>4,902,100</u>

Schedule of Revenues by Source and Expenditures by Function -
All Governmental Funds

Years ended June 30, 2004 and 2003

	Modified Accrual Basis	
	2004	2003
Revenues:		
Property tax	\$ 1,545,978	1,428,398
Tax increment financing revenue	885,271	781,318
Other city tax	567,995	582,462
Licenses and permits	60,721	41,528
Use of money and property	82,696	95,151
Intergovernmental	955,757	1,394,722
Charges for service	133,319	146,660
Miscellaneous	<u>377,068</u>	<u>348,223</u>
Total	<u>\$ 4,608,805</u>	<u>4,818,462</u>
Expenditures:		
Operating:		
Public safety	\$ 1,052,954	1,092,281
Public works	432,051	436,786
Culture and recreation	561,258	668,445
Community and economic development	201,158	438,733
General government	321,840	335,867
Debt service	753,665	697,591
Capital projects	<u>1,622,095</u>	<u>2,586,624</u>
Total	<u>\$ 4,945,021</u>	<u>6,256,327</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Iowa Falls, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 8, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Iowa Falls' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for item II-J-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Iowa Falls' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Iowa Falls' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Iowa Falls and other parties to whom the City of Iowa Falls may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Iowa Falls during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

CORNWELL & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

December 8, 2004

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04 Fire Department Expenditures – Certain expenditures were not properly authorized and were not supported by proper documentation.

Recommendation – All expenditures should be properly approved by either including them in the Fire Department minutes record or in a listing approved and signed by the Council. All expenditures should be supported by original invoices or other supporting expenditures.

Response – We have corrected this as of July 1, 2004.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-04 Official Depositories – A resolution naming official depositories has been approved by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 did not exceed the amounts budgeted.

II-C-04 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-04 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2004

- II-E-04 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Marlyn Humphrey, Fire Chief, owner of Iowa Falls Fire Extinguisher Company	First aid kits and smoke alarms	\$ 74
Steve Henry, Fire Secretary/ Treasurer, owner of Iowa Falls Glass	Room shades, per bid windows, keys, door strikes for fire station	348
Diane Meyer, Council Member, husband owner of Midwest Animal Health	Vet services and supplies	359
Rick Gustin, Fire Chief Owner of Iowa Falls Heating & A/C	Heating & air conditioning maintenance & supplies	1,072

These transactions do not appear to represent conflicts of interest since they were entered into through competitive bidding or, in accordance with Chapter 362.5(10) of the Code of Iowa. Other transactions with each individual were less than \$1,500 during the fiscal year.

- II-F-04 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2004

- II-G-04 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. Although minutes of the council proceedings were published as required, a listing of the paid claims were not published for two of the months tested.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and publish paid claims as required.

Response – This was an oversight this year. We will watch our publications more closely to insure that our claims are getting published as required.

Conclusion – Response accepted.

- II-H-04 Revenue Bonds and Notes – The City has complied with the revenue bond and note provisions.

- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- II-J-04 Fire Department Activities – The Iowa Falls Volunteer Fire Department maintains a separate checking account for donations and fund raising activities. Certain expenditures from this account may not meet the requirements of public purpose.

Recommendation – The City and the Volunteer Fire Department should determine and document the public purpose served by these expenditures before authorizing further payments and should consider initiating steps to legally segregate the donation and fund raising activities of the Department from the City.

Response – We have taken care of this effective July 1st 2004.

Conclusion – Response accepted.

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2004

- II-K-04 Capitalization Policy – It was noted during the course of our audit that the capitalization policy for land, buildings and improvements and equipment and vehicles requires the City to capitalize all assets over \$250.

Recommendation – City officials should review the policy and consider raising the dollar amount.

Response – We will review the policy.

Conclusion – Response accepted.

- II-L-04 Road Use Fund – It was noted during the course of our audit that 100% of the revenues from road use taxes is transferred to the General Fund to reimburse the General Fund for road use expenditures.

Recommendation – The road use expenditures should be expended directly from the road use fund. This will help the City monitor that road use revenues and expenses properly.

Response – We will do this effective July 1, 2004.

Conclusion – Response accepted.

- II-M-04 Other Information Required by Bond Resolution

Insurance – The following insurance policies were in force at June 30, 2004:

Insurer	Description	Amount	Expiration Date
Employer's Mutual	Property coverage	\$ 16,907,932	Apr 1, 2005
Employer's Mutual	Liability coverage:		
	General aggregate	2,000,000	Apr 1, 2005
	Products aggregate	2,000,000	Apr 1, 2005

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2004

Insurer	Description	Amount	Expiration Date
	Personal injury	1,000,000	Apr 1, 2005
	Each occurrence	1,000,000	Apr 1, 2005
	Fire damage	100,000	Apr 1, 2005
	Medical expense	5,000	Apr 1, 2005
Employer's Mutual	Inland Marine:		
	Contractor's equipment	614,426	Apr 1, 2005
	Data processing	208,738	Apr 1, 2005
	Valuable papers:		
	Location 2	50,000	Apr 1, 2005
Employer's Mutual	Inland Marine:		
	Location 3	100,000	Apr 1, 2005
	Location 4	500,000	Apr 1, 2005
	Miscellaneous property	51,028	Apr 1, 2005
Employer's Mutual	Automobile coverage:		
	Liability	1,000,000	Apr 1, 2005
	Auto medical	5,000	Apr 1, 2005
	Uninsured motorist	50,000	Apr 1, 2005
	Underinsured motorist	50,000	Apr 1, 2005
	Comprehensive/collision	Lesser of cash value or cost of repair	Apr 1, 2005
Employer's Mutual	Worker's compensation:		
	Bodily injury by accident	500,000	Apr 1, 2005
	Bodily injury by disease	500,000	Apr 1, 2005
	Policy limit	500,000	Apr 1, 2005

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2004

Insurer	Description	Amount	Expiration Date
Employer's Mutual	Umbrella:		
	Retained limit	10,000	Apr 1, 2005
	Occurrence limit	3,000,000	Apr 1, 2005
	Aggregate limit	3,000,000	Apr 1, 2005
Employer's Mutual	Linebacker:		
	Each loss	1,000,000	Apr 1, 2005
	Aggregate	1,000,000	Apr 1, 2005
Old Republic Insurance Company	Airport liability:		
	Combined single:		
	Each occurrence	1,000,000	Jul 1, 2004
	Malpractice aggregate	1,000,000	Jul 1, 2004
	Fire damage	50,000	Jul 1, 2004
	Medical expense	1,000	Jul 1, 2004
	Hangarkeepers-per aircraft	200,000	Jul 1, 2004
	Hangarkeepers-per occurrence	200,000	Jul 1, 2004
	Personal injury and advertising injury aggregate limit	1,000,000	Jul 1, 2004
Northfield Insurance Company	Airport public officials and employees' liability	1,000,000	Jul 1, 2004
Nationwide Mutual Insurance Company	Public employees' blanket bond	100,000	Continuous until canceled

City of Iowa Falls, Iowa

Schedule of Findings

Year ended June 30, 2004

Statistical Information:

Description	Amount
Customers served at June 30, 2004 – water	\$ 2,235
Customers served at June 30, 2004 – sewer	\$ 2,219

Water rates in effect at June 30, 2004:

Per month:

- First 1,000 gallons - \$3.22 minimum charge
- 1,000 to 20,000 gallons - \$2.50 per 1,000 gallons
- Over 20,000 gallons - \$2.01 per 1,000 gallons

Sewer rates in effect at June 30, 2004:

Minimum charge per month of \$5.00 plus \$3.35 per 1,000 gallons of water used

Users who contribute wastewater, the strength of which is greater than normal domestic wastewater, and users who contribute more than an average of fifty thousand gallons per day during the entire current billing period, are charged the following rates for the excess concentration:

Flow in excess of fifty thousand gallons per day	\$0.59 per 1000 gallons
Biochemical oxygen demand	\$0.19 per pound
Suspended solids	\$0.13 per pound
NH ₃ -N	\$0.48 per pound